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**FISCAL IMPACT STATEMENT**

**LS 6787**

**BILL NUMBER:** HB 1086

**NOTE PREPARED:** Mar 17, 2010

**BILL AMENDED:** Mar 13, 2010

**SUBJECT:** Tax and Expenditure Administration.

**FIRST AUTHOR:** Rep. Welch

**FIRST SPONSOR:** Sen. Hershman

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill contains the following provisions:

*SNG:* This bill provides contract terms for certain SNG contracts.

*Electronic Signatures:* The bill provides for electronic signatures on public contracts.

*Boxing and Other Events:* This bill transfers regulation of boxing, wrestling, and martial arts to the Gaming Commission. It reduces the tax from 5% to 3% of the gross receipts received from providing a professional public boxing, sparring, or unarmed combat match or exhibition for viewing in Indiana on a closed circuit telecast, pay-per-view telecast, or subscription television and limits the tax to \$50,000 for each event. The bill provides that interest earned on the Athletic Commission Fund be deposited in the state General Fund. The bill also provides that revenue from the tax must be deposited in the state General Fund. The bill permits the Budget Agency to augment appropriations from the Athletic Commission Fund to the Gaming Commission to regulate boxing, sparring, unarmed combat, and any other form of mixed martial arts. It provides that the Gaming Commission may waive the tax on complimentary admissions for actual attendance to a match or exhibition. It also deletes the exemption for showings at a private residence.

*Horse Racing Commission:* The bill makes changes regarding fingerprinting for persons licensed to participate in pari-mutuel horse racing.

*Property Tax:* This bill makes changes in property tax assessment procedures, petition and remonstrance and referenda procedures, calculation of maximum permissible levies, and deductions, including changes in the method of calculating the solar heating and cooling equipment deduction and establishing a deduction for

personal property used in a certified technology park.

*Technology Park Decertification:* The bill requires notice of a decertification of a technology park to be sent to the Department of Local Government Finance (DLGF) and the Department of State Revenue (DOR).

*Delinquent Taxes:* This bill requires payment of all delinquent taxes before platting land, consolidating parcels, or removing property from a tax sale list.

*Referenda:* The bill provides for the DLGF to review and make recommendations concerning the language of proposed public questions on controlled projects.

*IBTR:* This bill requires the Board of Tax Review (IBTR) to provide dispute resolution and appeal filing guidance to property taxpayers.

*Public Libraries:* The bill makes changes in the administration of libraries.

*Streamlined Sales Tax Agreement Conformity:* This bill makes changes in the Gross Retail and Use Tax related to implementation of the Streamlined Sales and Use Tax Agreement.

*Sales and Use Tax Exemptions:* The bill exempts sales to a city or town for a municipal golf course from sales taxation and certain aircraft brought into Indiana from Use Tax.

*Internal Revenue Reference Update:* This bill indicates that references in state law to the “Internal Revenue Code” refer to the version in effect on January 1, 2010. It restricts state net operating loss carrybacks.

*Electronic Filing of Tax Withholding Forms:* The bill changes certain electronic tax reporting procedures.

*LOIT:* This bill changes the deadline for adopting a local income tax (LOIT). It requires surplus LOIT revenue to be used as property tax replacement credits. The bill also requires the county auditor, instead of the DLGF, to calculate local credit percentages.

*Cities and Towns:* The bill permits a city or town to establish a cumulative capital improvement fund for any purpose, and it corrects a technical conflict between laws. The bill also permits a third class city to reduce the number of members on its legislative body.

*Indiana Veterans' Home:* This bill makes changes to the eligibility criteria for admittance to the Indiana Veterans' Home.

*Boards and Commissions:* The bill eliminates and reorganizes certain boards and commissions. It also repeals provisions related to boards and commissions that are reorganized.

*Delinquent Assessments:* This bill indicates that interest on certain delinquent assessments is calculated under the statute under which interest on delinquent assessments is computed.

*Public Bids:* The bill extends the period in which certain public bids may be received.

*Local Reorganization:* This bill requires fiscal information on a proposed local reorganization to be publicly available and specifies when officials will be elected after a local reorganization.

*Population:* The bill changes from January 2 to January 1 the date certain local annexations, election boundary changes, and reorganizations take effect.

*Notices Sent to Property Owners:* This bill requires weed assessments and delinquent utility bill lien statements to be sent by certified mail, return receipt requested, or its equivalent.

*CRED:* The bill provides for an additional community revitalization enhancement district (CRED) in Delaware County.

*EDGE Tax Credit Eligibility:* The bill extends the EDGE tax credit to not-for-profit entities that receive approval for credits from the Indiana Economic Development Corporation (IEDC).

*Economic Improvement Districts:* This bill makes changes to procedures related to economic improvement districts.

*Wireless Emergency Telephone System Fund:* The bill requires sellers of prepaid wireless services to remit fees to the DOR.

*Property Tax Exemptions:* This bill grants additional time to certain property owners to file for a property tax exemption. It also restricts previously enacted law governing late exemption applications to nonprofit entities.

*Study Committees:* The bill establishes an interim study committee on economic development and provides for the preparation of certain corrective legislation.

*Constitutional Amendment:* This bill specifies the ballot language for the submission of the proposed amendment to the Constitution of the State of Indiana concerning circuit breakers and other property tax matters.

*IPS:* This bill provides a procedure to correct an error in the certified Indianapolis Public Schools' Capital Project Fund levy rate for 2010.

*Marion County Solid Waste:* The bill exempts certain final disposal solid waste disposal facilities from the application of the state solid waste management plan law.

*Public Works Bids:* The bill extends the time that may elapse between the date a notice for a public works bid is published and the date the bids must be received for certain local projects.

**Effective Date:** Upon passage; January 1, 2006 (retroactive); July 1, 2007 (retroactive); January 1, 2008 (retroactive); January 1, 2009 (retroactive); June 30, 2009 (retroactive); November 6, 2009 (retroactive); January 1, 2010 (retroactive); March 1, 2010 (retroactive); July 1, 2010; January 1, 2011; July 1, 2011.

**Explanation of State Expenditures:** *Indiana Department of Administration - Electronic Signatures:* Currently, the electronic signature act requires a digitized signature. Allowing an electronic method provided in this bill will assist in making all contracts processed electronically rather than manually, which may result in a more efficient process.

*Horse Racing Commission:* The bill eliminates the requirement that persons licensed by the Indiana Horse

Racing Commission (IHRC) to participate in pari-mutuel horse racing must submit their fingerprints to the IHRC every five years. The bill also requires the IHRC to coordinate with the State Police Department for storage of fingerprints submitted by such licensees. These licensees include horse owners, horse trainers, jockeys, racetrack employees, racetrack management, pari-mutuel clerks, employees of vendors, and others participating in pari-mutuel racing. In 2008, the IHRC issued 9,544 licenses to pari-mutuel racing participants. The bill is expected to result in an indeterminable administrative savings to the IHRC.

*Electronic Filing of Tax Withholding Forms:* The bill requires an employer to electronically file employee W-2 forms and the WH-3 form with the DOR in any calendar year that the employer files more than 25 W-2 forms with the DOR. This requirement also applies to a person or entity such as a payroll company that files these forms on behalf of an employer. The electronic filing requirement begins in 2011. The requirement is expected to result in a cost savings to DOR by significantly reducing the number of paper W-2 and WH-3 forms that must be imaged and stored and by reducing manual data entry from the paper forms.

The W-2 is an Internal Revenue Service form on which an employer annually files reporting wages, salaries, and other compensation paid to an employee and the federal, state, and local income taxes and FICA taxes withheld on the compensation. The WH-3 is a DOR form that an Indiana employer must submit along with W-2s reporting the state income tax and local option income tax withheld by the employer, including a county-by-county breakdown of local option income tax withholdings.

*DOR:* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes in this bill. It is estimated the DOR could implement these changes through the use of its existing level of staff and resources.

*CRED:* This bill authorizes a third area in Delaware County for designation as a CRED. However, the bill specifies that if the new CRED is designated, the advisory commission on industrial development must select either the current ABB CRED, which is inactive, or the new CRED to receive allocations of incremental income and sales taxes. The advisory commission is required to inform the State Budget Agency (SBA) of the selection. Under current law, the State Budget Committee must review and make a recommendation to the SBA after they are notified of the local resolution designating a CRED. The SBA must approve the resolution designating the district. However, if the SBA fails to take action within 120 days of the date the resolution is submitted to the Budget Committee, the resolution is considered approved. The DOR must calculate the base income tax amount and the base gross retail amount for the district. The DOR and the SBA must annually estimate and certify the amount of income tax and sales tax which will be collected from the district.

*Boards and Commissions:* The bill eliminates four advisory or operating bodies, including the Transportation Corridor Planning Board, the Advisory Committee for the Indiana Soldiers' and Sailors' Children's Home, the Radiation Control Advisory Commission, and the State Athletic Commission. However, the responsibilities of the State Athletic Commission are turned over to the Gaming Commission. Appropriations for salary per diem, travel, and other reimbursement or expenses revert to state funds or is not budgeted. Additionally, state officers and agencies may provide assistance to some of these entities, resulting in cost or labor savings to the extent that agency positions devoted to staffing the entities could be eliminated or reassigned to other functions. Cost savings for these functions are estimated to be \$13,000 for the four entities eliminated by this bill. However, no cost savings would result if the entity has not met, had a budget, or required staff services. Three of the terminated entities are funded with state General Fund dollars, and one receives funds from dedicated sources. [The Veteran's Affairs Commission and the Military and Veteran's Affairs Board are repealed and replaced as discussed below.]

[Note: To calculate the cost savings, the statutory minimum number of meeting was used or four meetings a year was substituted when the number was unknown. A cost of \$100 per member was used to stand in for salary per diem, travel, or other reimbursement. Currently, for executive committee meetings, the salary per diem for lay members is \$50 and the travel reimbursement is \$0.40 per mile. State employees receive up to \$97 for lodging.]

*Boards and Commissions - Veterans' Affairs:* This bill (1) disbands the currently existing Veterans' Affairs Commission, (2) replaces the Veterans' Affairs Commission with the Indiana Military and Veterans' Benefits Board, and (3) renames the Military and Veterans' Benefits Board as the Veterans' Affairs Commission. Currently, the members of the Indiana Veterans' Affairs Commission receive payment and reimbursement for their services on the Commission. The Indiana Department of Veterans' Affairs (IDVA) reports this will decrease workload as well as result in cost savings of approximately \$800 per year.

*Indiana Veterans' Home:* This bill may increase the number of individuals who are eligible for admission to the Indiana Veterans' Home by decreasing the residency requirement at time of application to one year and by expanding eligibility to honorably discharged service members who are former state residents. Increases in the eligible population are indeterminable. If the IDVA admits more individuals to the Indiana Veterans' Home under the expanded eligibility criteria, any increase in expenditures will be funded from Medicaid and the federal Veterans' Administration.

*Additional Information on Veterans' Home Eligibility:* Currently, there is no eligibility given to honorably discharged service members who were Indiana residents at the time of their enlistment. Additionally, the current residency requirement is three years. Under the bill, after the effective date of July 1, 2010, the following disabled or destitute individuals will be eligible for admission to the Indiana Veterans' Home:

- (1) An honorably discharged member of the armed forces,
- (2) the spouse of an honorably discharged member of the armed forces, or
- (3) the surviving spouse of an honorably discharged member of the armed forces,

if either (a) the qualifying applicant has been a resident of Indiana for at least one year prior to application for admission to the home or (b) the honorably discharged member of the armed forces was a resident of Indiana at their time of enlistment. [The Indiana Veterans' Home was appropriated \$37 M per year over the biennium, which consists of federal IV-H Medicaid reimbursement funds, and the Comfort and Welfare Fund.]

*Study Committees:* This provision would require the Commission on State Tax and Financing Policy to study the allocation and distribution of local income taxes during the 2010 interim. There would be no additional expense to include this topic of study.

This bill also establishes the Interim Study Committee on Economic Development. The Committee will consist of 17 members as follows: 2 Senators, 2 Representatives, the CEO of the IEDC or their designee, and 12 members appointed by the Governor. The Committee is to operate under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$16,500 per interim for committees with 16 members or more.

This bill specifies that the Interim Study Committee on Economic Development is to study the following

topics:

- (1) Best practices in state and local economic development policies and activities;
- (2) The use and effectiveness of tax credits and deductions;
- (3) Whether there are any specific sectors of the economy for which Indiana might have comparative advantages over other states;
- (4) The extent to which Indiana's tax laws encourage business investment and any improvements that might be made to Indiana's tax laws;
- (5) The extent to which Indiana's education systems support economic development;
- (6) The benefits of existing CREDs and possible new CREDs; and
- (7) Any other issue assigned to the Committee by the Legislative Council or as directed by the Committee's co-chairs.

*Enhanced Prepaid Wireless Fee - DOR:* Sellers of prepaid telecommunications services must remit the charges obtained at the point of sale to the DOR. The DOR, in conjunction with the Wireless Enhanced 911 Advisory Board, must establish procedures for sellers to document that sales of prepaid wireless telecommunications services are not retail transactions. The bill provides that the sellers of prepaid wireless telecommunications services will be subject to the same audit and appeal procedures concerning collection and remittance of state Sales Tax. The bill also provides that an audit must be conducted jointly by the DOR and the Board.

*Property Tax - Certified Technology Park:* This bill authorizes the DLGF to prescribe a form for the deduction schedule. This could add administrative duties to the DLGF. However, the bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

*Referenda:* Under current law, controlled projects may be subject to local referendum. If a project is placed on the ballot, the county election board must approve the form of the public question. Under this provision, after the county election board approves the question, the board would forward it to the DLGF for review and approval. The DLGF would be able to perform this review with current resources.

*IBTR:* Under this provision, a county assessor may request that an employee of the IBTR assist in voluntary dispute resolution in a case where the PTABOA has not given notice of a decision on a taxpayer appeal. The IBTR would adopt rules to establish procedures under which assistance would be given. Any fiscal impact would depend on the extent to which the IBTR grants requests for assistance. The IBTR is funded from the General Fund and the Assessment Training Fund.

*Technology Park Decertification:* Under current law, the IEDC must recertify a technology park every four years. Under this bill, if a certified technology park is not recertified, the IEDC shall send a certified copy of the notice of decertification to the county auditor, the DLGF, and the DOR.

**Explanation of State Revenues:** *Internal Revenue Reference Update:* The bill updates the reference to the Internal Revenue Code (IRC) to incorporate all the federal changes made up to January 1, 2010. The current reference to the IRC pertains to all IRC provisions amended and in effect on February 17, 2009. The update would include changes as a result of the *Worker, Homeownership, and Business Assistance Act of 2009* (P.L. 111-92), signed into law on November 6, 2009. This federal act should not generate a material fiscal impact because the bill decouples from provisions of the federal act allowing a special 5-year (instead of 2-year) carryback for 2008 and 2009 net operating losses incurred by businesses.

*Streamlined Sales Tax Agreement Conformity:* The bill specifies sales that are excluded from the Sales Tax base, specifies certain sales that are exempt from Sales Tax, and specifies certain sales that are taxable under the Sales Tax for purposes of conformity with the Streamlined Sales Tax Agreement. The amendments, however, do not change the current treatment of these sales under the Sales Tax, so these changes are not expected to result in a fiscal impact.

For purposes of conformity with the Streamlined Sales Tax Agreement, the bill amends the statutory language relating to breakage of Sales Tax, including eliminating the breakage table for sales of less than \$1.07. This amendment does not change the breakage on sales of \$1.07 or more, but does result in a slight change in breakage for sales of less than \$1.07. The latter could result in a small positive fiscal impact from some sales that are less than \$1.07.

*CRED Income and Sales Tax Incremental Allocations:* Current statute provides that a CRED must terminate not later than 15 years after incremental income or sales taxes are first allocated to the CRED. The State Budget Agency must approve the resolution designating a CRED before incremental income and sales taxes may be allocated to an area designating a CRED. Currently, Delaware County has two CREDs, one is active (the Magna CRED) and one is inactive (the ABB CRED). Each of these CREDs also is subject to an annual income and sales tax capture limit of \$1 M. Distributions of captured tax revenue to the Magna CRED totaled \$77,227 in FY 2007; \$271,835 in FY 2008; and \$299,829 in FY 2009.

*EDGE Tax Credit Eligibility:* The bill extends the EDGE tax credit to not-for-profit entities that receive approval for credits from the IEDC. This would result as the bill specifically changes the definition of a taxpayer for purposes of the EDGE tax credit to include an entity that while not having a state tax liability does report incremental income tax withholdings of employees. In conjunction with the definition change, the bill also repeals a provision that allows EDGE credits to be awarded to Midwest ISO, which is a tax exempt entity pursuant to Federal Code Section 501(c)(4). The potential fiscal impact of this change is indeterminable. The fiscal impact would depend on action by the IEDC in the future to award EDGE credits to nonprofit entities, and would depend on the extent that credits induce new investment or retain existing businesses.

A taxpayer is eligible for the EDGE tax credit for undertaking a project that creates new investment and jobs in Indiana or that retains existing jobs in Indiana. The IEDC determines the amount and duration of EDGE credits awarded for a project. For a job creation project, the credit can't exceed the incremental income tax withholdings from the project and can't exceed 10 years. There is no aggregate credit limit for job creation credits, but the amount of job retention credits awarded annually may not exceed \$10 M. The credits may be claimed against the taxpayer's adjusted gross income tax liability, Insurance Premiums Tax liability, or Financial Institutions Tax liability. However, the IEDC is authorized to provide refundable credits at its discretion. The bill would allow EDGE credits to be taken by a taxpayer that doesn't have a tax liability but does remit income tax withholdings on employees. Current statute also contains a special provision that authorized the awarding of EDGE credits to Midwest ISO, which is a nonprofit entity. The bill repeals this provision.

A business that undertakes a job creation project receives EDGE credits in relation to the individual income taxes withheld for employees filling the newly created positions. Consequently, the tax credit does not represent a net revenue loss, provided the investment and employment would not occur but for the tax credit. However, if the investment and employment would have occurred in the absence of the tax credit, the state incurs a revenue loss equal to the total amount of credits taken by the business. For job retention projects, no new revenue would be realized since no new jobs would be created. As a result, EDGE credits for job

retention are paid from existing revenues, resulting in a net loss to the state equal to the amount of EDGE credits granted to a business for job retention. However, if a business were to select a more profitable alternative project site and move out of Indiana, there could be an even greater loss of revenue from the reduction in individual (employee's) and corporate taxes.

*Community Revitalization Tax Credit:* Under current statute, a taxpayer who makes a qualified investment for the redevelopment or rehabilitation of property located within a community revitalization enhancement district is entitled to this tax credit. The credit is based on 25% of the qualified investment. The credit may be used to reduce the taxpayer's tax liability against the AGI Tax, the Financial Institutions Tax, or the Insurance Premiums Tax. The taxpayer may carry any excess credit over to the immediately following years, but is not entitled to a carryback or refund of any unused credit. A taxpayer is not entitled to a credit if they substantially reduce or cease to operate in another area of the state in order to relocate within the district. The revenue loss that could potentially be incurred due to investment in an additional Delaware County CRED is indeterminable. The table below reports the number of individual and corporate taxpayers that claimed the tax credit for CRED investment in 2005, 2006, and 2007, as well as the total credit amount claimed each year. The CREDs that the investment and tax credit were attributable to is unknown.

<b>Community Revitalization Enhancement District Tax Credit</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Individual Income Taxpayers</b>			
Taxpayers Claiming Credit	94	84	55
Credits Claimed	\$291,249	\$54,228	\$416,447
<b>Corporate Income Taxpayers</b>			
Taxpayers Claiming Credit	N/A	4	3
Credits Claimed	N/A	\$3,224,231	\$2,663,171
N/A=Data not available for 2005.			

Revenue from the AGI tax, the Financial Institutions Tax, and the Insurance Premiums Tax is deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

*Additional Information* - Under current statute, CREDs may be established in certain specified local units, and in 1<sup>st</sup> and 2<sup>nd</sup> class cities. CREDs are allowed to capture incremental revenue from Sales Tax, state Income Tax, and local option income taxes. A local resolution to designate a CRED must be reviewed by the State Budget Committee and approved by the State Budget Agency.

Under the provisions allowing CREDs in specific local units, six CREDs have been established: (1) one each in the city of Bloomington, the city of Fort Wayne, the city of Marion, and the city of South Bend; and two in Delaware County. All but one of these CREDs (the ABB CRED in Delaware County) are active. The annual capture limit for Sales Tax and state Income Tax for each of these CREDs is \$1 M.

Under provisions allowing CREDs in 1<sup>st</sup> and 2<sup>nd</sup> class cities, four CREDs have been established: one each in Anderson, Bloomington, Fort Wayne, and Indianapolis. The Bloomington and Indianapolis CREDs are currently active and receiving captured revenue distributions. The annual capture limit for Sales Tax and state Income Tax for each of these CREDs is \$750,000.



*Sales and Use Tax - Municipal Golf Course Exemption:* The bill exempts from sales tax transactions involving tangible personal property acquired for use in the operation of a municipal golf course. In all likelihood sales tax on such transactions has historically not been paid. Consequently, any fiscal impact as a result of this provision is expected to be minimal.

*Sales and Use Tax - Aircraft Registration Without Paying Use Tax:* This bill creates a window of three months where an owner of an aircraft that is located in another state may register in Indiana without paying the difference in the Sales tax paid to that state and the Indiana Use tax rate. Currently, when an aircraft is registered in the state of Indiana, the owner gets a credit for the Sales tax paid to another state and would have to pay any difference in Use tax. The owner would also have to pay the registration fee and aircraft excise tax.

This bill could decrease Use Tax revenue on these transactions and increase aircraft registration fees, aircraft license excise taxes, and sales tax on fuel purchased by these aircraft by an indeterminable amount. The impact would depend on the number of aircraft that are relocated during this three-month window.

*Wireless Emergency Telephone System Fund:* This bill imposes an enhanced prepaid wireless charge at the point of sale by sellers of prepaid wireless telecommunications services. The initial charge cannot exceed 50% of the monthly wireless emergency enhanced 911 fee. The charges collected at the point of sale will be deposited in the Wireless Emergency Telephone System Fund by the DOR. The sellers may retain 1% of the charges from consumers to offset the direct costs of collection and remittance. The amount of revenue that will be collected is indeterminable.

In addition, the bill provides that the DOR must determine the total amount of fees collected and remitted for FY 2009 through FY 2010 from the wireless emergency enhanced 911 fee, and the amount of fees collected and remitted for FY 2011 through FY 2012 for the enhanced prepaid wireless fee. If the amount of fees collected and remitted for the enhanced prepaid wireless charge is less than 5% of the amount collected and remitted for the wireless emergency enhanced 911 fee for the periods specified by this bill, the chapter authorizing the collection and remittance of the enhanced prepaid wireless charge will expire on July 1, 2013.

*Background Information* - The wireless emergency enhanced 911 fee is imposed at \$0.50 per phone per month. Revenues received from this fee for FY 2005 through FY 2009 are provided in the table below. After the Board recovers their administrative costs, the remaining revenue is distributed on a monthly basis to each county containing one or more eligible public safety answering points (PSAPs). A county must use the distribution to make distributions to PSAPs that accept wireless enhanced 911 service for the actual costs incurred by the PSAPs in complying with the wireless enhanced 911 requirements established by the FCC order and rules. Any amount of revenue that remains must be distributed equally between escrow accounts for reimbursement to commercial mobile radio service (CMRS) providers, PSAPS, and the Board.

Fiscal Year	Revenue
2005	\$24.1 M
2006	\$30.5 M
2007	\$32.2 M
2008	\$24.7 M
2009	\$27.4 M

*Athletic Commission Fund:* The bill eliminates the Athletic Commission Fund, which is administered by the Indiana Gaming Commission, and establishes the Athletic Fund, also to be administered by the Indiana Gaming Commission. [On January 12, 2010, the Athletic Commission Fund had assets of \$16,000.]

*Youth Advisory Council Fund:* The bill establishes the Youth Advisory Council Fund to augment and supplement funds appropriated to the Department of Education to implement the Youth Advisory Council responsibilities. Money in the fund consists of appropriations by the General Assembly, and grants, gifts, and donations.

**Explanation of Local Expenditures:** *Assessment Characteristics:* Under this provision, assessors would have to document any change made from the previous assessment of a parcel's underlying characteristics, including age, grade, or condition. The assessor would have the burden of proof regarding the validity of the changes in an appeal. In general, county assessment software already tracks these changes so there should be no real cost to implementing this provision.

*Property Tax - Reassessment Petitions:* Under current law, a group of taxpayers may petition the DLGF for reassessment of real property in a township in any year in which there is no general reassessment and no general election. This bill specifies that the reassessment would apply only to the most recent assessment date and that the DLGF may order that the reassessment be conducted by the local assessor or by the DLGF.

*Property Tax - Land Values:* Currently, the township assessor, or county assessor if there is no township assessor, must set the initial land values and then submit them to the county PTABOA for review. Under the bill, the county assessor would determine all land values. The PTABOA would no longer have a review function, eliminating the cost of the public hearings that they currently must hold. The PTABOA would, however, determine land values in a county if the county assessor fails to do so. If both the county assessor and the PTABOA fail to determine land values, the DLGF would determine the values.

The bill would allow a group of taxpayers to petition the DLGF for a review of the county assessor's land values. The petition could be filed up to 45 days after the values are determined and must be signed by the lesser of (1) 100 real property owners or (2) 5% of the real property owners in the county. The DLGF would be required to review the land values upon petition.

*Delinquent Taxes:* Under current law, a transfer of ownership interest for a real property parcel that results from either a split or a combination of parcels may not be recorded until all past-due property taxes are satisfied and the county auditor makes an endorsement.

This bill would also require payment of past-due taxes and the auditor's endorsement before property is removed from the tax sale list and before allowing a person to record a plat of a subdivision or to consolidate parcels. While a partial payment is accepted if the property was on the tax sale list, it does not remove the property from the list unless the full amount is paid before the date of the tax sale. This provision may encourage delinquent taxpayers to be more diligent in redeeming their property, thereby increasing the number of instruments that would have to be endorsed by the county auditor, and adding more AV to the tax base of local taxing units.

*Property Tax - Homestead Property Defined:* The additional homestead property defined under this provision would qualify for any locally funded homestead or residential credits available. The LOIT credits that are available as direct taxpayer credits and the CEDIT homestead and residential credits for mitigation of inventory shifts are generated by a specified income tax rate. The available credits would be redistributed at a lower credit rate to include the new homestead property. The traditional COIT homestead credits are paid as a specific credit rate. The additional homestead property would cause an increased cost for these credits, which would reduce the amount of certified shares available for distribution to civil taxing units.

*Referenda - Notice:* Current law has established a process by which a local taxing unit must obtain approval to issue bonds or enter into a lease agreement for a controlled project. At specific steps in the process (e.g., the preliminary determination to issue bonds or enter into a lease agreement, the imposition of property taxes to pay debt service on bonds or lease rentals, notifying taxpayers that the project is subject to approval through the petition/remonstrance process, or by a referendum), the taxing unit has to publish notice of its intent, and notify by first class mail any organization that has previously requested that it be informed.

This bill also adds the circuit court clerk to the list of organizations that must be notified. The additional postage and processing costs are expected to be minimal.

*Referenda - Schools:* Under current law, the governing body of a school corporation may adopt a resolution to hold a referendum for a tax levy to provide additional funding for education (e.g., to make up for a short fall in revenues because of circuit breaker credits). This provision modifies some of the administrative duties concerning the election. For example, current law stipulates that the referendum must be held in the next primary or general election; under this provision, the referendum can also be held in the next election or municipal election if applicable (the school corporation would not have to assume the costs of holding the referendum in either of these elections). The provision also changes when a special election can be held, and deletes the requirement for the public question to be published in the local newspaper. This provision would also require the school corporation to provide notice of the referendum to the DLGF.

School corporations should see a decrease in costs of holding a referendum as the number of eligible elections has increased. Corporations also would not have to advertise the public question in the local newspaper, thereby saving publishing costs.

*Referenda - Option:* Under current law, a capital project is considered a controlled project if it will cost the political subdivision more than the lesser of (1) \$2 M or (2) an amount equal to 1% of the total gross assessed value of property within the political subdivision on the last assessment date (if that amount is at least \$1 M).

A controlled project for a school building for kindergarten through Grade 8 is subject to a referendum if the cost is more than \$10 M. A controlled project for a school building for Grade 9 through Grade 12 is subject to a referendum if the cost is more than \$20 M. Other controlled projects with a cost that exceeds the lesser of (1) \$12 M or (2) 1% of the assessed value (but at least \$1 M) are also subject to a referendum. Controlled

projects that are not subject to a referendum are subject to the petition and remonstrance process.

Under this provision, a taxing unit that makes a determination to issue debt or enter into a lease/rental that would not otherwise require a referendum could adopt a resolution specifying that the referendum process applies rather than the petition and remonstrance process. Property tax levies used to pay debt or lease/rentals approved in a referendum are exempt from the property tax circuit breaker caps. This provision could result in some future debt and lease/rental levies that would be inside the circuit breaker caps under current law being placed outside the caps. The impact would depend on local unit action and voter preference.

*LOIT:* Under current law, the DLGF must calculate and certify the county homestead credit percentage for the LOIT-funded homestead credit. Under this bill, each county would make their own calculation. The bill also specifies that revenue remaining after LOIT property tax replacement is paid, if any, must be used for property tax replacement in subsequent years.

*Budgets and Bond Issues of Public Libraries:* Under current law, a public library that has a non-elected board and whose assessed valuation is not entirely contained within a city or town but was originally established by the city or town, is required to have its budget and property tax levy and bond issues approved by the city or town fiscal body. Under this bill, if more than 50% of the parcels of real property within the jurisdiction of the library are located outside the city or town limits, the county council rather than the city or town fiscal body would become the approving authority. Neither current law nor this proposed legislation applies to public libraries in Marion County.

The fiscal impact of this proposal would depend upon whether the county council would approve a lower budget and property tax levy or a smaller bond issue than would have been approved by the city or town fiscal body. If the budget or the amount of the bond issue would be the same, then the fiscal impact is minimal.

*Reappointment to the Library Board:* Under current law, an appointee to a Class 1 library board may not serve more than four consecutive terms. However, if the library district has a population of less than 3,000 and an exhaustive search for a replacement is unsuccessful, the appointing authority may reappoint a board member who has served four or more consecutive terms. Current law limits a Class 2 library board member to a single four-year term.

The bill permits a less restrictive policy on reappointment to Class 1 library boards only (Class 2 library board members would still be limited to a single four-year term). It provides that a board member who serves four consecutive terms may be reappointed at least four years after the date the appointee's most recent term ended. Additionally, an unexpired term of two years or less that an individual serves in filling a vacancy on the board may not be counted in computing consecutive terms.

The fiscal impact would depend on how difficult (or costly) it is to replace a board member whose term has expired. As a minimum, the bill would make it much easier to keep well-qualified individuals on the board.

*Dissolution of Library Districts:* The bill establishes the procedure whereby a Class 1 or Class 2 library can dissolve, which is the following: (1) the resolution to dissolve must be adopted by a majority vote of the appointed board members; (2) the legislative bodies of the municipalities, townships, and counties that are a part of the district must approve the resolution; (3) the resolution must then be filed at the State Library and at the county recorder in each county in which the library district is located; (4) all legal and fiscal obligations of the library district have been satisfied; (5) the assets of the district have been distributed; and

(6) a notice is filed with the county recorders and the State Library that the dissolution is final. The fiscal impact is minimal.

*Local Reorganization:* County clerks and the county executive would have to publish in two newspapers in general circulation within the county the notices required for local reorganization as specified under the bill.

*Cities and Towns - CCI Fund:* Under current law, a city or town may have two Cumulative Capital Improvement (CCI) Funds, one that is funded with property tax levies and the other funded with cigarette tax distributions. This provision affects only the cigarette tax-funded CCI fund.

Currently, money in the fund may be used to pay for:

- (1) The purchase of buildings, land, easements, or rights-of-way;
- (2) Construction or improvement of city-owned property;
- (3) Technology systems;
- (4) Computer maintenance employees;
- (5) In-service technology training;
- (6) Retiring bonds issued for one of the above purposes; and
- (7) Internet application development.

This provision would also allow cities and towns to use money in the fund for any other governmental purpose.

In 2009, 436 municipalities had a CCI (cigarette tax) fund. The total budgeted year-end cash balance for 2009 was \$10.5 M in 296 units and zero for the rest.

*Cities and Towns: Legislative Body Members-* If an ordinance were passed to reduce the number of legislative body members, there would be a savings to the city from the expenses incurred by the eliminated body member(s).

*Economic Improvement Districts - Petitions:* Under current law, an economic improvement district (EID) may be formed by a county or municipality if a petition is signed by (1) a majority of the real property owners in the proposed district; and (2) the owners of at least 2/3 of the non-exempt assessed value in the proposed district. All real property owners in an EID, except those entities that are exempt from property taxation, must pay a special assessment that is used to fund improvements in the district. The district may also exempt for one year a business that is established after creation of the district.

Currently, EID projects may include the following:

- (1) Planning or managing development or improvement activities;
- (2) Designing, landscaping, beautifying, constructing, or maintaining public areas;
- (3) Promoting commercial activity or public events;
- (4) Supporting business recruitment and development;
- (5) Providing security for public areas;
- (6) Acquiring, constructing, or maintaining parking facilities; and
- (7) Constructing, rehabilitating, or repairing residential property.

This bill would change the number of required petition signatures to establish an EID from the owners of at least 2/3 of the non-exempt AV to the owners of more than 50% of the non-exempt AV (plus a majority of the real property owners in the proposed district). More petitions for EIDs could be brought before the county

legislative body as a result of the lower number of petition signatures that would be required. Any further action to establish an EID would depend on actions taken by the county legislative body.

*Economic Improvement Districts - Board:* Under current law, an EID board must have at least three members, and a majority of the members must own property in the EID. Under this provision, if there is only one property owner within the EID, then the board members would include the property owner plus not more than two other members who do not own property in the EID.

*Economic Improvement Districts - Tax Treatment:* Under current law, the assessment charged against each parcel is considered a property tax for purposes of federal tax deductions. The assessments are considered property tax liens. Property tax deductions apply to the assessment, but the assessment is not subject to the property tax circuit breaker caps.

Under this provision, the assessment would be considered a special assessment. Property tax deductions would not apply and special assessments would become liens, second only to property taxes. This provision would also require the EID board to identify the portion of the special assessments that are attributable to interest, maintenance, and repair charges. The taxpayers in the EID could use this information to determine deductibility under federal tax law.

*Notices Sent to Property Owners:* Counties, municipalities, and sewer districts would have to send additional notices by certified mail to the owner of record, or to at least one of the owners if there are multiple owners. The cost of the mailing may be billed to the property owner.

**Explanation of Local Revenues:** *Property Tax - Standard Deduction:* Under current law, homeowners who receive the senior deduction may not receive any other deductions except for the mortgage deduction and the traditional standard deduction. The new supplemental homestead standard deduction is automatically granted to any homeowner that receives the traditional standard deduction. This bill clarifies that senior taxpayers may receive both the over-65 deduction and the supplemental standard deduction.

*Property Tax - Rehabilitation Property Tax Deduction Applications:* Under current law, an application for a rehabilitated property tax deduction must be filed in the year of assessment or within 30 days of receiving a notice of assessment if received before *December 31<sup>st</sup>*. This provision would allow the filing within 30 days of receiving a notice of assessment if received before *December 1<sup>st</sup>*.

*Property Tax - Solar Heating and Cooling Deduction:* Under current law, the owner of real property or a mobile home may receive a property tax deduction if the property is equipped with a solar energy heating or cooling system. The amount of the deduction equals the difference between the assessed value with the system and the assessed value without the system. The DLGF is required to promulgate rules regarding the determination of the system's value.

Under this provision, the deduction amount would equal the out-of-pocket expenditures by the owner or a previous owner for the system's components and installation. In addition, under this bill, mobile home owners would no longer have to file annually for the deduction. This provision would simplify the county auditor's determination of the deduction amount. There would likely be little or no change in the amount deducted.

*Property Tax - Homestead Property Defined:* The DLGF's interpretation of a homestead is defined as a principal residence consisting of a dwelling and up to one acre of land. Some improvements located on the home site are not considered homestead property. These improvements include, but may not be limited to,

decks, patios, gazebos, and swimming pools. Since these improvements do not qualify as homestead property, they are not subject to the standard or supplemental standard deductions, they do not qualify for homestead credits, and the circuit breaker cap for that part of the property is 3% instead of 1%.

Under this provision, beginning with taxes payable in 2011, decks, patios, gazebos, and other residential yard structures, but not swimming pools, would be considered part of the homestead qualifying property if they are attached to the dwelling. The standard and supplemental deductions would apply as would any local homestead credits and the 1% circuit breaker cap. According to the DLGF, most counties already consider these "attached" improvements as part of the dwelling. Some counties, however, may not.

This provision most likely affects only a small amount of property. Due to data constraints, however, the part of the non-qualifying homeowner property that would qualify as homestead property under this bill cannot be determined. While the actual fiscal impact should be considerably less, an illustration is presented of the estimated impact if all non-qualifying homeowner property were to become homestead-eligible.

*Illustration including all non-qualifying homeowner property:* Beginning with taxes payable in 2011, the additional standard and supplemental standard deductions are estimated at \$1.2 B. The total reduction in net taxes for homeowners, including tax shifts and circuit breakers, if all non-qualifying homeowner property were to become homestead-eligible is estimated at \$20.0 M. The reduction in net AV would result in a higher tax rate and a net tax shift (after circuit breakers) of about \$10.9 M from homeowners to other taxpayers. The cost of the circuit breaker cap to local taxing units and school corporations would rise by an estimated \$9.0 M. The higher tax rates would also cause TIF proceeds to increase by about \$1.1 M.

*Property Tax - Certified Technology Park:* Under this proposal, a county fiscal body may adopt an ordinance exempting an owner of personal property that is located within a certified technology park and is used primarily to conduct high technology activity, from paying property taxes on the property for two to ten years as specified in the ordinance. The ordinance must be adopted before January 1 of the first assessment year for which the taxpayer may claim the exemption. The ordinance would be reviewed by the IEDC.

The property must be assessed for the first time between 2011 and 2015, inclusive. Qualified personal property installed after March 1, 2015, is not eligible for this exemption. The exemption excludes any assessed value used for tax increment financing or property used for routine administrative purposes.

This proposal could result in an increase in investment (and AV) within certified technology parks. The potential increase is indeterminable. The impact on applicable taxing units would depend on whether the increase would occur because of this bill. If the increase in investment occurs primarily because of the bill, then the benefits of the increase in AV after the exemption has expired (increased revenue, a possible decrease in tax rates and circuit breaker credits) has to be weighed against the cost of the exemption in the short term (over the two- to ten-year period).

On the other hand, if the increase would occur in spite of the bill, then the taxing unit would have to forgo the addition to its tax base (and the associated increase in revenue and a possible reduction in tax rates and circuit breaker credits) until the exemption period is over. The impact would depend on the value of the personal property involved and the length of the exemption.

*Property Tax - Maximum Levy:* Under current law, civil taxing unit maximum levy limits grow by the six-year average increase in Indiana nonfarm personal income. The growth factor is applied to the sum of the previous year's actual controlled levy *after eliminating the effects of temporary adjustments to the*

*working maximum levy*, plus one-half of the amount of maximum levy in the previous year that was not levied.

Beginning with property taxes payable in 2011 under this bill, the DLGF may adjust a civil taxing unit's maximum levy if the unit used cash balances rather than its entire levy authority in the preceding year. This provision could encourage taxing units to use cash balances and temporarily reduce levies without losing any levy authority.

*Property Tax - Fire Protection Territories:* Under current law, the legislative bodies of at least two contiguous taxing units may establish a fire protection territory (FPT). All units involved in the FPT are participating units, one of which is the provider unit. During the first three years of the territory's existence, the participating units each impose a property tax levy to support the FPT. After three years, the provider unit imposes a levy and tax rate upon all of the property in the FPT and the other participating units' levies for fire protection are eliminated.

Prior to the passage of HEA 1001-2008, a participating unit's maximum levy could be increased in the first three years in order to generate the unit's share of the amount necessary to fund the FPT. Under HEA 1001-2008, the levy for an FPT could not increase in any year by more than the income-based assessed value growth quotient (AVGQ), about 3% per year.

However, under HEA 1001-2009(ss), new participating units will submit their first-year proposed budget, levy, and tax rate for the FPT to the DLGF. The initial levy set by the DLGF is the basis for future levy growth under the AVGQ growth limits, except that the DLGF may reduce the base by all or a part of the initial levy that was used to establish an operating balance. The operating balance may not exceed 20% of budgeted expenses.

Under this bill, a civil taxing unit may petition the DLGF for an increase in its maximum levy to meet its obligations to the FPT. The DLGF may grant increases over a three-year period, allowing for a reasonable operating balance, with no specific limit rather than the current 20% limit. This provision would permit more flexibility in setting maximum levies in the first three years. Initial levies could be higher under this bill to build an operating balance if the DLGF determines that the reasonable operating balance exceeds 20% of expenditures.

*Property Tax - Senior Circuit Breaker:* This provision clarifies the previous year's tax amount to be used in the calculation of the circuit breaker for low-income senior homeowners. Counties have already been instructed by the DLGF to employ this clarification, so there would be no impact to this provision.

*LOIT - Adoption Deadlines:* Currently, most LOIT rate adoptions, rescissions, or changes must be adopted between April 1<sup>st</sup> and July 31<sup>st</sup>, inclusive, to be effective in the year adopted. Under this bill, adoptions, rescissions, or changes may be made at any time in a year before November 1<sup>st</sup>. This provision could result in faster implementation of LOIT changes adopted by a county. The effective dates, based on adoption date, are as follows.



<b>Proposed Effective Dates For New or Increased LOIT Rates</b>	
<b>Adoption Date</b>	<b>Effective Date</b>
January 1 to September 30	October 1
October 1 to October 15	November 1
October 16 to October 31	December 1

<b>Proposed Effective Dates For Rescinded or Reduced LOIT Rates</b>	
<b>Adoption Date</b>	<b>Effective Date</b>
January 1 to September 30	Later of : October 1 or same month as last rate increase
October 1 to October 15	Later of : November 1 or same month as last rate increase
October 16 to October 31	December 1

*Delinquent Assessments:* Under current law, if a conservancy district assessment or a Barrett law assessment becomes delinquent, a penalty is added to the bill. The penalty, which is the same as the penalty for delinquent property taxes, is equal to 5% if the assessment is paid within 30 days after the due date. Otherwise, the penalty is 10% per year. Under this provision, interest instead of a penalty would be charged against the delinquent payments. The interest rate, which is the same as for other delinquent assessments, is 10% per year.

*Property Tax Exemptions - Church:* Under this provision, a church may file an exemption application by June 30, 2010, effective for taxes payable in 2008 under the following conditions:

- (1) The church constructed a community center, assessable for the 2007 assessment date;
- (2) The church failed to timely file an exemption application for the 2007 assessment date;
- (3) The property would have otherwise been eligible for exemption; and
- (4) The church timely filed an exemption application for the 2008 assessment date, which was granted.

The total number of properties that could be affected is unknown. One property has been identified in Howard County. According to county records, the original Pay 2008 tax bill was \$16,677. With penalties, the total due is \$18,372. A payment of \$9,186 was made in April 2009, leaving a balance of \$9,186.

Under this bill, the exemption would apply retroactively and the tax bill would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the remaining \$9,186 that is due. Overall current year tax collections would also be reduced by \$9,186 in order to provide a refund of the amount already paid.

*Property Tax Exemptions - Social Service Center:* Under this provision, a social service center may file an exemption application by June 30, 2010, effective for taxes payable in 2007 under the following conditions for either of two situations:

#### Situation A

- (1) The social service center acquired personal property and land, then made improvements to the land, all assessable for the 2006 assessment date;
- (2) The social service center failed to timely file an exemption application for the 2006 assessment date;
- (3) The property would have otherwise been eligible for exemption; and
- (4) The social service center timely filed an exemption application for the 2007 assessment date, which was granted.

The total number of properties that could be affected under this provision is unknown. One affected property has been identified in Marion County. According to a notice issued by the county in September 2009, the total amount due on real property, including interest and penalties, is \$64,389. According to county records, the original tax bill for personal property amounted to \$478.

#### Situation B

- (1) The social service center acquired personal property, land, and improvements from a nonprofit youth sports club that was assessable for the 2006 assessment date;
- (2) Neither the youth sports club nor the social service center timely filed an exemption application for the 2006 assessment date;
- (3) The property would have otherwise been eligible for exemption; and
- (4) The social service center timely filed an exemption application for the 2007 assessment date, which was granted.

The total number of properties that could be affected under this provision is unknown. One affected property has been identified in Marion County. According to a notice issued by the county in September 2009, the total amount due on real property, including interest and penalties, is \$16,840.

Under both provisions, the exemptions would apply retroactively and the tax bills would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the amounts currently due, about \$81,700.

*Property Tax Exemptions - Women's Fraternity:* Under this provision, a women's fraternity may file an exemption application between January 16, 2010, and January 24, 2010, inclusive, effective for taxes payable in 2007, 2008, 2009, or 2010. In order to file an exemption application under this provision, the fraternity must have received an exemption for a preceding year on the same property.

The total number of properties that could be affected is unknown. One property has been identified in Marion County. According to county records, the original tax bills amounted to \$30,143 in 2007, \$25,872 in 2008, and \$19,310 in 2009. The total for this entity over the three years is \$75,325 plus accrued interest and penalties.

Under this provision, the exemption would apply retroactively and the tax bill would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the amounts currently due.

*Property Tax Exemptions - Leased Property:* This provision would allow an exemption for taxes payable in 2009 and in 2010 for an entity that:

- (1) Filed or refiled an exemption application between January 16, 2010, and January 24, 2010, inclusive, under the statute that allows exemptions for property leased to political subdivisions; and

(2) Leased property to the Bureau of Motor Vehicles Commission (BMVC) during 2008 and 2009 which received an exemption for taxes payable in 2007 or 2008.

The total number of properties that could be affected is unknown. One property has been identified in Marion County. According to county records, the original Pay 2009 tax bill was \$29,036. In 2008, records show the net tax bill after partial exemption was \$4,279 with the same gross assessed value. Assuming that a similar portion of the property would be exempt under this provision, the taxes that would be cancelled are estimated at about \$25,000 each in 2009 and 2010 plus accrued interest and penalties, if any.

The entity would receive a refund for any taxes, interest, or penalties already paid. Refunds reduce current year property tax distributions. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the refunded amounts and of amounts due in 2010.

*Property Tax Exemptions - Boy Scouts:* Under this provision, a local council of the Boy Scouts of America (BSA) may file an exemption application by June 30, 2010, effective for taxes payable in 2008 under the following conditions:

- (1) The BSA acquired title to land and improvements after March 1, 2007, and the property was taxable for the 2007 assessment date;
- (2) The BSA failed to timely file an exemption application for the 2007 assessment date;
- (3) The BSA timely filed an exemption application for the 2008 assessment date, which was granted; and
- (4) The property would have been eligible for exemption for the 2007 assessment date if the BSA had owned the property on March 1, 2007, and if the BSA had timely filed an exemption application.

The total number of properties that could be affected is unknown. One property has been identified in St. Joseph County. According to county records, the original Pay 2008 tax bill was \$29,485. With penalties, the total due is \$35,587.

Under this bill, the exemption would apply retroactively and the tax bill would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the tax due.

*American Legion Exemption:* Under this provision, the American Legion may file an exemption application by June 30, 2010, effective for taxes payable in 2008 and 2009 under the following conditions:

- (1) The Legion holds title to land and improvements and personal property in Marion County that were assessed for the 2007 and 2008 assessment dates at more than five times the 2005 assessment;
- (2) The Legion failed to timely file exemption applications for the 2007 and 2008 assessment dates;
- (3) The Legion timely filed an exemption application for the 2009 assessment date, which was granted; and
- (4) The property would have been eligible for exemption for the 2007 and 2008 assessment dates if the Legion had owned the property on the assessment dates and if the Legion had timely filed an exemption application.

The total number of properties that could be affected is unknown. One property has been identified in Marion County. According to county records, the original tax bills totaled \$126,521. With penalties, the total due is \$137,300.

Under this bill, the exemption would apply retroactively and the tax bill would be cancelled. The local taxing

units and school corporation located in the property's taxing district would forego receipt of their share of the tax due.

*Retroactive Exemptions:* HEA 1001-2009(ss) granted additional time to file for a property tax exemption that applies to taxes payable from 2002 through 2010 for property owned and used for educational, literary, scientific, religious, or charitable purposes. The extension of time applied if the owner failed to file an application or if there was insufficient documentation attached to the application. Exemption applications could have been filed through August 31, 2009.

This bill would limit the additional filing opportunity to an entity that meets all of the following conditions:

- (1) The entity that owned, occupied, and predominantly used the property had a 501(c)(3) income tax exemption, and
- (2) An exemption application was timely filed and granted for one or more preceding years beginning after 1999 for the same or similar use.

The exemption applications that are allowed under current law will result in either unpaid taxes that were billed in prior years or in refunds of taxes paid by these entities. Refunds of prior property tax payments reduce current year tax revenues. Under the bill, an exemption application filed under the extension by an entity that did not meet the above conditions would be denied. This bill would limit the number of retroactive exemptions granted and the associated revenue loss.

*Population:* Under current law, annexations, disannexations, reorganizations, boundary changes, and municipal mergers, incorporations, and dissolutions cannot take effect in the year preceding a decennial census. Instead, they become effective on January 2<sup>nd</sup> of the year in which the census occurs. Under this provision, these changes would instead take effect on January 1<sup>st</sup> of the census year. As a result, the population counts for the new decennial census would immediately reflect the changes. State and federal population-based distributions would be affected when the population changes. This provision would also change the effective date of an action that was effective January 2, 2010, to January 1, 2010.

*Wireless Emergency Telephone System Fund:* The bill provides that any enhanced prepaid wireless charges collected by the Board and deposited in the Wireless Emergency Telephone System Fund will be administered in the same manner as the wireless emergency enhanced 911 fees. (See *Explanation of State Revenues* for further information regarding distribution.)

*Library Cards:* Under current law, a library board may issue a local library card to residents of the library district free of charge, and for a fee (\$25 minimum) to Indiana residents who are not residents of the library district. The board, at its discretion, may charge a reduced fee to students who attend a public or nonpublic school in the library district.

Under this bill, the board by majority vote, may issue a library card free of charge to employees of the library district and employees of a school corporation or nonpublic school located in the district. This may reduce the amount of revenues the district receives from issuing library cards.

*Collection of Unpaid Debts:* Under current law, a Class 1 library board may designate a third party to collect money for the library if the amount is over ten dollars (there is no similar provision for a Class 2 library). This bill would permit both Class 1 and Class 2 libraries to designate a third party to collect money on their behalf regardless of the amount owed. This may increase the amount of revenue collected by libraries, especially Class 2 libraries.

*Sales and Use Tax - Aircraft Registration Without Paying Use Tax:* Aircraft License Excise Tax is distributed to the county where the aircraft is located.

*IPS:* Under this provision, Indianapolis Public Schools (IPS) would be permitted to file with the DLGF, a supplement to its capital projects plan that supports a request to restore its capital projects fund (CPF) tax rate to the maximum rate allowed for 2010.

The 2010 CPF rate was certified by the DLGF at \$0.2691 per \$100 of AV and the certified levy was \$23.0 M. The maximum rate is \$0.3957 per \$100 of AV, and the maximum levy amount is \$34.7 M, or \$11.7 M more than the certified levy.

The additional rate and levy would increase tax bills and circuit breaker losses, as compared to the certified amounts. However, the certified amounts were lower than expected. Tax bills and circuit breaker losses under the revised rate and levy amounts would be consistent with estimating assumptions.

**State Agencies Affected:** Legislative Services Agency; Department of Administration; DLGF; State Budget Agency; DOR; IEDC; Budget Committee; State Treasurer; State Library; Wireless Enhanced 911 Advisory Board; Gaming Commission; Horse Racing Commission; IBTR; Youth Advisory Council; Transportation Corridor Planning Board; Advisory Committee for the Indiana Soldiers' and Sailors' Children's Home; Radiation Control Advisory Commission; State Athletic Commission; Indiana Veterans' Home; IDVA; Veteran's Affairs Commission; Military and Veteran's Affairs Board; Military and Veterans' Benefits Board; Commission on State Tax and Financing Policy.

**Local Agencies Affected:** County auditors; County councils and income tax councils; Fire protection territories; County assessors; Township assessors; Local taxing units and school corporations; Public libraries; Property tax boards of appeals; PSAPs; Delaware County; Municipalities; Sewer districts; Conservancy districts; Circuit court clerks; Economic investment districts.

**Information Sources:** Jennifer Alvey, Indiana Finance Authority, 317-233-4338; Tom Conley, DOR, 317-232-2107; Ken Lowden, Indiana Enhanced Wireless 911 Board, 317-234-2507; Tom Applegate, Indiana Department of Veterans' Affairs.

Marion and St. Joseph County Auditor tax records and treasurer notices; Auditor of State, Revenue Trial Balance, FY 2007-FY 2009; OFMA Income Tax databases: 2007-2009; OFMA property tax database.

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